

FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

JUL 0 6 2006

CERTIFIED MAIL VIA FIRST CLASS MAIL

Russ Diamond 109 West Main Street Annville, PA 17003

RE: MUR 5636

Russ Diamond

Dear Mr. Diamond:

On June 20, 2006, the Federal Election Commission found reason to believe that you violated 2 U.S.C. §§ 432(e)(1), 433, 434(a), and 441i(e)(1)(A) and 11 C.F.R. §§ 101(a) and 110.3(d), provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). However, after considering the circumstances of this matter, the Commission also determined to take no further action and closed its file. The Factual and Legal Analysis, which more fully explains the Commission's findings, is enclosed for your information.

The Commission nevertheless admonishes you for failing to file a Statement of Candidacy, register and designate a principal committee, and file disclosure reports with the Commission. Evidence obtained from public sources indicates you received more than \$5,000 in contributions, including in-kind contributions from russdiamond.org, making you a candidate under the Act and requiring you to comply with the Act and with Commission regulations. Failing to register and report with the Commission violates 2 U.S.C. §§ 432(e)(1), 433, and 434(a) and 11 C.F.R. § 101(a).

The Commission also admonishes you for accepting prohibited contributions, in violation of the Act and Commission regulations. The evidence indicates you accepted in-kind contributions for your federal campaign from your non-federal committee, russdiamond.org, for, among other things, the portion of your website that benefited your federal campaign. This resulted in prohibited transfers from your non-federal committee to your federal campaign, in violation of 2 U.S.C. § 441i(e)(1)(A) and 11 C.F.R. § 110.3(d).

Russ Diamond MUR 5636 Page 2 of 2

Documents related to the case will be placed on the public record within 30 days. See Statement of Policy Regarding Disclosure of Closed Enforcement and Related Files, 68 Fed. Reg. 70,426 (Dec. 18, 2003).

If you have any questions, please contact Zachary Mahshie, the attorney assigned to this matter, at (202) 694-1650.

Sincerely,

Michael E. Toner

Chairman

Enclosure
Factual and Legal Analysis

FEDERAL ELECTION COMMISSION 999 E Street, N.W. Washington, D.C. 20463

FACTUAL AND LEGAL ANALYSIS

Respondents:

Russ Diamond

MUR: 5636

I. INTRODUCTION

This matter arises from a complaint filed by the Republican State Committee of Pennsylvania alleging that Russ Diamond was a candidate for Federal office in the 2004 General Election and violated the Federal Election Campaign Act of 1971, as amended, ("the Act") by failing to register a political committee and file required disclosure reports. Although Mr. Diamond admits that he never registered or filed reports with the Commission, he claims that he was never a candidate for Federal office because he never exceeded the \$5,000 threshold established by 2 U.S.C. § 431(2).

II. FACTUAL AND LEGAL ANALYSIS

On February 12, 2004, Russ Diamond announced his candidacy for State Representative in the 2004 General Election on the Libertarian ticket. He registered a state political committee, russdiamond.org, with the Pennsylvania Bureau of Commissions, Elections and Legislation ("Pennsylvania Bureau") and filed reports with the Pennsylvania Bureau disclosing disbursements made and receipts received purportedly in connection with his state campaign. Two months later, on April 5, 2004, Mr. Diamond declared he would simultaneously run on the Libertarian ticket for Congress in the 2004 race for the 17th District. In the April 5 press release, Mr. Diamond stated he "[did] not intend to spend a dime on the 17th race" beyond the required

\$150 filing fee. Attachment 1. He appeared on the ballot in both general elections but finished far behind the major party candidates in each election. At no time before or after the General Election did Mr. Diamond file a Statement of Candidacy with the Commission, designate or register a principal campaign committee, or file any disclosure reports.

The complaint alleges that Mr. Diamond was a candidate under the Act but that he failed to register or file the required disclosure reports with the Commission. A candidate must file a Statement of Candidacy within fifteen days after becoming a candidate. 11 C.F.R. § 101.1(a). The candidate must designate a principal campaign committee on the Statement of Candidacy. 2 U.S.C. § 432(e)(1). Each authorized political committee of a candidate must register with the Commission and file reports disclosing contributions and expenditures. 2 U.S.C. § 433; 2 U.S.C. § 434(a).

Mr. Diamond contends that he was never a candidate under the Act because he never exceeded \$5,000 in contributions or expenditures. An individual seeking nomination for election, or election, becomes a candidate under the Act when that individual receives contributions aggregating in excess of \$5,000 or makes expenditures aggregating in excess of \$5,000. 2 U.S.C. § 431(2).

Mr. Diamond asserts that he never solicited or accepted any contributions for his Federal campaign, because "[e]very contributor to russdiamond.org was specifically notified in advance that his or her contribution would be applied to the state campaign." Diamond Response at 1.

Mr. Diamond further claims that the extent of his Federal expenditures was the \$150 federal filing fee required by Pennsylvania, \$4.50 for paper stock to make 250 flyers, and \$92.66 "for

¹ http://www.dos.state.pa.us/bcel/cwp/view.asp?a=1099&Q=441773&PM=1 (last visited June 14, 2006).

the appropriate pro-rated portion of the russdiamond.org website used for Federal campaign information." Id. at 2. Mr. Diamond's assertions regarding the amount he spent on his Federal campaign are supported by the sworn response of the treasurer of his state committee, Lori Kimmel. Because Mr. Diamond claims that he never accepted more than \$5,000 in contributions or made more than \$5,000 in expenditures, he contends he was never a candidate under the Act. The complainant alleges that, contrary to Mr. Diamond's assurances in his response, Mr. Diamond's Federal campaign made more than \$5,000 in expenditures and accepted more than \$5,000 in contributions.

Information from the complaint, the response, and the public record indicates that Mr. Diamond may have received at least \$5,000 in contributions for his Federal campaign. First, Mr. Diamond appears to have made in-kind contributions directly to his Federal campaign. He admits to paying \$150 for Federal filling fees, and his response indicates he paid \$4.50 for paper stock to make 250 flyers and \$92.66 for the pro-rated Federal portion of his campaigns' shared website. Furthermore, in his response, Mr. Diamond states that he used the office space and equipment of his business, Raintree, for his Federal campaign. He claims that there was no additional cost to him to do so and that, therefore, the use of his office and equipment should not count toward the \$5,000 threshold. This misstates the law, however, since the campaign's use of the office space and equipment free of charge constitutes an in-kind contribution from Raintree

² Mr. Diamond did not reveal how he arrived at this allocation, and it appears that the portions of the website that explicitly promoted his campaigns featured his Federal and state races equally.

³ Mr. Diamond sent a copy of his response to the complainant, who then filed a supplemental complaint.

to his Federal campaign. See 11 C.F.R. § 100.52(d)(1).⁴ Although there is no information available at this time to place a value on the office space and equipment rental, the Commission would expect that the value is not de minimis, given that his Federal campaign existed for at least seven months.

Second, there are a number of disbursements russdiamond.org reported to the Pennsylvania Bureau that appear to be, at least in part, in-kind contributions to Mr. Diamond's Federal campaign that would count toward the threshold. These disbursements total \$7,766 and comprise \$7,215 for website-related expenses and \$551.11 for certain overhead expenses. See Attachment 1 (Diamond Press Release April 5, 2004); Attachment 3 (disclosed state disbursements for "overhead expenses" by russdiamond.org). Mr. Diamond's campaign website, www.russdiamond.org, contained general information about his policy positions, but it also contained specific references to his state and Federal campaigns. Although Mr. Diamond claims he reimbursed his state committee \$92.66 "for the appropriate pro-rated portion of the russdiamond.org website used for [his] Federal campaign," he does not describe the basis for this calculation and the amount seems inadequate given that both campaigns appear to have been featured in equal proportions. Furthermore, there are, in aggregate, \$550 in disbursements by the state campaign for office supplies and other overhead reported to the Pennsylvania Bureau. See

⁴ There is no information to suggest that Raintree is incorporated. It is not registered as a corporation in Pennsylvania, and a report compiled by Dun & Bradstreet does not indicate that it is incorporated in any other state. Thus, there is no basis for inferring contributions from Raintree violated the prohibition against contributions by corporations under 2 U.S.C. § 441b. However, the Dun & Bradstreet report does indicate that the business was started by partners. If indeed the business is a partnership, it is still not apparent that Mr. Diamond accepted excessive contributions, because the portion attributed to any partners he may have had may have been insufficient to exceed the individual contribution threshold.

⁵ The information on Mr. Diamond's website pertaining to his Federal and state campaigns has been removed. The website now contains information about Mr. Diamond's gubernatorial campaign. See http://www.russdiamond.org/(last visited June 14, 2006).

Attachment 3. Because Mr. Diamond admits to using his business office and equipment for his Federal campaign it appears likely that his Federal campaign also consumed some portion of the office supplies and other overhead disbursements.

Available information indicates that other activities and disbursements reported to the Pennsylvania Bureau may also be, at least in part, in-kind contributions from russdiamond.org to the Federal campaign. For example, Mr. Diamond produced an audio CD, which he distributed online and at his campaign headquarters, that detailed his positions on a number of campaign issues and includes information on both his state and Federal races. Supplemental Complaint, Attachment 2. While there are no expenditures disclosed by Mr. Diamond to the Pennsylvania Bureau that are explicitly tied to the audio CD, an article posted on Mr. Diamond's website suggests that Mr. Diamond produced the CD at a studio he owns, called Raintree, and Mr. Diamond's state committee reported total expenditures to and in-kind contributions from Raintree in excess of \$4,000. Id. Other examples of disbursements that may be attributable to both campaigns include \$5,800 for advertising, \$3,800 for campaign signs, banners, photos, and buttons, and \$2,500 for postage. See Attachment 2. Although there is insufficient information available at this time to know how much the CD cost and what portion of the advertising, signs, and postage disbursements, if any, should be attributed to the Federal campaign, at least some portion of the approximately \$16,000 in disbursements for these activities may be in-kind contributions from russdiamond.org to Mr. Diamond's Federal campaign.

All of this information calls into serious question Mr. Diamond's assertion that he made it all the way to the General Election without triggering the \$5,000 threshold for either contributions or expenditures. Therefore, the Commission finds reason to believe that Mr. Diamond violated 2 U.S.C. §§ 432(e)(1), 433, and 434(a) and 11 C.F.R. § 101.1(a) by failing to

MUR 5636 Factual and Legal Analysis

file a Statement of Candidacy, designate a principal campaign committee and register that committee with the Commission, and file required disclosure reports. In addition, because it appears that Mr. Diamond was a candidate under the Act, the in-kind contributions from russdiamond.org to the Federal campaign would appear to be prohibited transfers in violation of 11 C.F.R. § 110.3(d), which prohibits a candidate's nonfederal campaign committee from transferring funds or assets to his or her principal or authorized federal committee. Because the Act prohibits federal candidates from receiving funds in connection with an election for Federal office unless the funds are subject to the limitations, prohibitions, and reporting requirements of the Act, the Commission finds reason to believe that Russ Diamond violated 2 U.S.C.

Attachments

Attachment 1, Diamond Press Release (April 5, 2004)

Attachment 2, All disclosed state disbursements by russdiamond.org

§ 441i(e)(1)(A) by accepting prohibited transfers from his state committee.

Attachment 3, Disclosed state disbursements for "overhead expenses" by russdiamond.org

Attachment 4, All disclosed state receipts by russdiamond.org

Attachment 5, All disclosed state in-kind receipts by russdiamond.org

April 5 Press Release

For Immediate Release For More Information:

Russ Diamond info@russdiamond.org www.russdiamond.org

Diamond Denounces Paterno Campaign, Enters 17th

Disgusted by the actions of Republican power brokers supporting Scott Paterno, businessman Russ Diamond (L-Annville) today announced his candidacy for Congress in Pennsylvania's 17th District.

Diamond, who is also running for General Assembly in PA's 101st Legislative District, received the Libertarian nomination for the 17th Congressional race at the Party's state convention in Harrisburg on March 20. His decision to accept the nomination was based on his disdain for the candidate selection and endorsement tactics used by some Republicans, most notably state Senator David J. "Chip" Brightbill, and recent points of contention regarding Paterno's experience and voting record.

"For weeks I've been questioning Senator Brightbill's actions in employing Paterno to prop up what I consider to be a hollow designer name candidacy," Diamond said today in a journal entry on his campaign website. "On March 22 at the Lebanon County Republican Committee's Lincoln Day dinner, Brightbill as much as admitted that Paterno's employment was a ruse.

"I have no problem with the Senator supporting whichever candidate he chooses, but I believe he may have crossed the boundaries of personal privilege when he chose to use my tax dollars to give this young man a job. With recent reports regarding Governor Rendell's lead-foot drivers and ghost-voting legislators, I suppose I shouldn't be surprised by Brightbill's actions. Our elected officials continually place their own personal interests over those of their constituents. This type of conduct flies in the face of the dignity and honor of public service."

Although Diamond intends to focus his attention squarely on the 101st District race throughout 2004, he indicated a desire to offer similarly disgruntled voters an alternate choice for Congress.

"Republican voters in Lebanon and Schuylkill Counties are livid about the way Paterno received official county endorsements. In the unlikely event that he actually wins the primary, my candidacy in the 17th will serve as a constant reminder of how he got there.

"With the exception of the required \$150 filing fee, I do not intend to spend a dime on the 17th race. I will, however, keep a constant vigil by watching all other candidates, regularly offering Libertarian viewpoints on the issues and participating in debates. I will bring an 'everyman' perspective to the table, a viewpoint conspicuously absent from most federal campaigns."

The Libertarian Party, the third largest and fastest growing political party in Pennsylvania and the nation, provides a beacon of hope for voters disillusioned by the fog of Big Government.

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Have an opinion? Voice it now!

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State Disclosure Reports All Expenditures

Report Date (Cycle)	Expenditure	Purpose
04/12/2004 (Cycle 2)		.org,.net,.com website registrations
11/22/2004 (Cycle 6)		advertising
11/22/2004 (Cycle 6)		Advertising
05/17/2004 (Cycle 3)		advertising
12/31/2004 (Cycle 7)		advertising
05/17/2004 (Cycle 3)		advertising
12/31/2004 (Cycle 7)		advertising
10/18/2004 (Cycle 5)		advertising
11/22/2004 (Cycle 6)		Advertising
05/17/2004 (Cycle 3)		advertising
05/17/2004 (Cycle 3)		advertising
10/18/2004 (Cycle 5)		advertising
10/18/2004 (Cycle 5)		advertising
05/17/2004 (Cycle 3)		advertising
04/12/2004 (Cycle 3)		advertising magnets
12/31/2004 (Cycle 7)		bank charge
12/31/2004 (Cycle 7)		bank charge
10/18/2004 (Cycle 5)		bank service charge
11/22/2004 (Cycle 6)		bulk mailing
11/22/2004 (Cycle 6)		Bulk Mailing
11/22/2004 (Cycle 6)		Bulk Mailing Preparation
04/12/2004 (Cycle 3)		campaign buttons
10/18/2004 (Cycle 5)		campaign contribution
04/12/2004 (Cycle 2)		campaign photos
10/18/2004 (Cycle 5)		campaign photos
04/12/2004 (Cycle 2)		campaign signs
10/18/2004 (Cycle 5)		car show entry fee
10/18/2004 (Cycle 5)		car show entry fee
10/18/2004 (Cycle 5)		car show entry fee
10/18/2004 (Cycle 5)		car transfer/inspection & insurance
04/12/2004 (Cycle 2)		checks
04/12/2004 (Cycle 2)		convention registration
10/18/2004 (Cycle 5)	\$525.45	
10/18/2004 (Cycle 5)		craft show entry fee
04/12/2004 (Cycle 2)		deposit on litter bags
04/12/2004 (Cycle 2)		design & printing of announcement postcards
10/18/2004 (Cycle 5)	\$100.00	donation
10/18/2004 (Cycle 5)		filling fee for state house campaign
10/18/2004 (Cycle 5)		fundraiser refreshments
11/22/2004 (Cycle 6)		FUNDRAISING LETTER
11/22/2004 (Cycle 6)		Halloween Candy- Promo Events
04/12/2004 (Cycle 2)		libertarian party banners
04/12/2004 (Cycle 2)		License for Announcement Rally
11/22/2004 (Cycle 6)		Litter Bags Promo Materials
04/12/2004 (Cycle 2)		mailers/laser copies of postcards & yard signs
10/18/2004 (Cycle 5)		notary
10/18/2004 (Cycle 5)		notary fee
10/18/2004 (Cycle 5)		notary fees
12/31/2004 (Cycle 7)		notary fees
05/17/2004 (Cycle 3)		notary fees
11/22/2004 (Cycle 6)		notary services
04/12/2004 (Cycle 2)		notary services

State Disclosure Reports All Expenditures

Report Date (Cycle)	Expenditure	Purpose
05/17/2004 (Cycle 3)	\$147.61	office supplies
10/18/2004 (Cycle 5)	\$105.79	office supplies
04/12/2004 (Cycle 2)	\$57.24	office supplies
11/22/2004 (Cycle 6)	\$31.74	office supplies
11/22/2004 (Cycle 6)	\$10.15	office supplies
04/12/2004 (Cycle 2)	\$154.55	office supplies/postage
10/18/2004 (Cycle 5)	\$295.00	partial loan repayment
10/18/2004 (Cycle 5)		partial repayment of loan
04/12/2004 (Cycle 2)		Past election results list
10/18/2004 (Cycle 5)		post election party
04/12/2004 (Cycle 2)		postage
10/18/2004 (Cycle 5)	\$304.00	postage
10/18/2004 (Cycle 5)		postage
04/12/2004 (Cycle 2)		postage
11/22/2004 (Cycle 6)		Raintree (printing)
10/18/2004 (Cycle 5)	\$1,050.00	Raintree Studio (postcards)
10/18/2004 (Cycle 5)	\$1,178.00	Raintree Studio (promotional brochures)
10/18/2004 (Cycle 5)		Russ Diamond (promotional material)
04/12/2004 (Cycle 2)		secure web certificate
10/18/2004 (Cycle 5)	\$625.40	
10/18/2004 (Cycle 5)	\$100.00	
11/22/2004 (Cycle 6)	\$54.66	
11/22/2004 (Cycle 6)		trick or treat nite items- Promo Event
04/12/2004 (Cycle 2)		web site design
04/12/2004 (Cycle 2)		website design
10/18/2004 (Cycle 5)	\$1,321.63	yard signs

State Disclosure Reports Overhead Expenditures

Campaign/Committee	Report Date (Cycle)	Expenditure	Purpose
Russ Diamond	04/12/2004 (Cycle 2)		office supplies/postage
DIAMOND, RUSS - RUSSDIAMOND.ORG	05/17/2004 (Cycle 3)	\$147.61	office supplies
DIAMOND, RUSS - RUSSDIAMOND.ORG	10/18/2004 (Cycle 5)	\$105.79	office supplies
Russ Diamond	04/12/2004 (Cycle 2)	\$57.24	office supplies
DIAMOND, RUSS - RUSSDIAMOND ORG	04/12/2004 (Cycle 2)	\$37 73	checks
DIAMOND, RUSS - RUSSDIAMOND ORG	11/22/2004 (Cycle 6)	\$31 74	office supplies
DIAMOND, RUSS - RUSSDIAMOND ORG	11/22/2004 (Cycle 6)	\$10.15	office supplies
RUSSDIAMOND.ORG	12/31/2004 (Cycle 7)		bank charge
RUSSDIAMOND.ORG	12/31/2004 (Cycle 7)		bank charge
DIAMOND, RUSS - RUSSDIAMOND.ORG	10/18/2004 (Cycle 5)	\$0.10	bank service charge
TOTALS:		\$ 551.11	

State Disclosure Reports Contributions

DIAMOND, RUSS - RUSSDIAMOND.ORG

Contributor Name	Date	Amount			
Cortney Birenbaum	9/7/2004	\$ 100.00			
Douglas Keegan	9/21/2004	\$ 160.00			
Ellen Blickman	9/21/2004	\$ 100.00			
Emily Felty	9/21/2004	\$ 275.00			
G O Hansen	10/13/2004	\$ 200.00			
George Gardner	8/2/2004	\$ 100.00			
Harry Lindgren	2/14/2004	\$ 75.00			
Henry E. Haller III	8/2/2004	\$ 100.00			
James Babb	4/5/2004	\$ 100.00			
James Panyard	10/13/2004	\$ 100.00			
John Wisotzky	7/6/2004	\$ 1,000.00			
Kevin Brophy	9/21/2004	\$ 2,000.00			
Kim & Al Keefer	4/19/2004	\$ 200.00			
Leon Johnson	9/26/2004	\$ 500.00			
Lori L. Kimmel	3/31/2004	\$ 58.50			
Mark Crowley	5/27/2004	\$ 75.00			
Mark Crowley	7/6/2004	\$ 100.00			
Mark Crowley	9/7/2004	\$ 50.00			
Mark Crowley	9/21/2004	\$ 40.00			
Mary Hughes	9/21/2004				
P. Michael Riffert	9/26/2004	\$ 100.00			
Raymond Ondrusek	2/14/2004	\$ 100.00			
Ronald Goodman	5/27/2004				
Ronald Goodman	7/6/2004				
Ronald Goodman	9/21/2004				
Ronald Goodman	9/26/2004				
RUSS DIAMOND	12/15/2003				
Russ Diamond	11/12/2004				
Russell H. Diamond	8/2/2004				
Russell H. Diamond	8/8/2004				
Russell L. Diamond	3/15/2004				
Russell L. Diamond	8/2/2004	\$ 400.00			

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State Disclosure Reports In-Kind Contributions

DIAMOND, RUSS - RUSSDIAMOND.ORG

Contributor	Date	Value	In-Kind Description	Company
Russ Diamond	1/7/2004	\$ 262.50	campaign photos	Raintree
Russ Diamond	1/7/2004	\$ 297.00	website registration	Raintree
Russ Diamond	1/7/2004	\$ 5,043.75	website design	Raintree
Russ Diamond	1/19/2004		office supplies	
Russ Diamond	1/23/2004		design & printing postcards	Raintree
Russ Diamond	2/6/2004		mailers/laser copies of postcards & yard signs	
Russ Diamond	2/27/2004		secure web certificate	
Russ Diamond	3/15/2004	\$ 154.55	office supplies/postage	
Russ Diamond	3/15/2004		campaign buttons	Raintree
Russ Diamond	3/20/2004		deposit on adv. litter bags	
Russ Diamond	3/20/2004		advertising magnets	Raintree
Russ Diamond	4/16/2004			
Russ Diamond	4/27/2004		primary night food	
Russell H. Diamond	5/27/2004		office supplies	
Russell H. Diamond	7/19/2004		notary	
David Dering			promotional cds	the Dering Corporation
Russell H. Diamond			record radio spots	Raintree Studio
Mary Diamond	10/22/2004	\$ 64.67	paper products for post election	